

## Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AF-10 ARA-11 EA-10  
NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00  
EB-08 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 ITC-01  
TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 OIC-02  
STRE-00 JUSE-00 /169 W

-----092512 121845Z /44

R 121815Z SEP 78

FM USMISSION GENEVA

TO SECSTATE WASHDC 3983

INFO AMEMBASSY HELSINKI

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 13687

USMTN

ACTION STR

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: MTN, ETRD

SUBJECT: FINNISH EXCISE TAX ON SUGAR IN CANNED FRUIT

REF: (A) GENEVA 11658, (B) STOCKHOLM 3303, (C) STATE  
219517, (D) HELSINKI 2846

1. JARL HAGELSTAM OF FINNISH MINISTRY OF FINANCE MET  
SEPTEMBER 11 WITH US MTN DEL (DRAZEK) TO DISCUSS POSSIBLE  
FINNISH ACTION TO ALLEVIATE US CONCERN OVER FINNISH EXCISE  
TAX SYSTEM ON ADDED SUGAR IN CANNED FRUIT. HAGELSTAM  
REQUESTED THAT MTN DEL COMMUNICATE TO WASHINGTON THAT  
FINNISH AUTHORITIES WILL BE SUBMITTING TO PARLIAMENT IN  
ABOUT 10 DAYS AN AMENDMENT TO THE CURRENT EXCISE TAX  
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SYSTEM ON ADDED SUGAR -- AN AMENDMENT THE FINNS HOPE WILL  
SATISFY US NEEDS. US DEL TOOK NOTE OF FINNISH PROPOSALS,  
AGREED TO REPORT THE INFORMATION TO WASHINGTON, BUT STATED  
THAT US WOULD NOT BE IN A POSITION TO REACT TO THOSE  
SUGGESTIONS UNTIL THEY HAD BEEN STUDIED IN WASHINGTON.  
US DEL ALSO DREW ATTENTION TO US OPPOSITION IN PRINCIPLE  
TO THE EXCISE TAX FOR REASONS CONTAINED IN REF C.

2. HAGELSTAM MADE THE FOLLOWING POINTS:

(A) THE SUGAR EXCISE TAX SYSTEM APPLIES TO MANY PRDDUCTS CONTAINING ADDED SUGAR AND THEREFORE IT WOULD BE IMPOSSIBLE TO ELIMINATE THE SYSTEM ITSELF.

(B) THE US APPLIED THE SAME LOGIC TO PROTECT DOMESTIC SUGAR INTERESTS IN 1971 WHEN IT EXTENDED SUGAR ACT QUOTAS TO CONFECTIONERY PRODUCTS (WHICH, AT THE TIME, DISTURBED FINNISH CANDY EXPORTERS).

(C) THE SYSTEM CURRENTLY APPLYING TO CANNED FRUITS AND JUICES IN FINLAND ADMITTEDLY RESULTS IN EXCESSIVE TAXES ON US CANNED FRUIT.

(D) AN AMENDMENT TO THE SYSTEM IS BEING PREPARED (TO BE SUBMITTED TO PARLIAMENT IN ABOUT 10 DAYS) WHICH WILL (1) REFUND THE DIFFERENCE BETWEEN THE "EXCESSIVE" TAX LEVEL AND A MORE APPROPRIATE LEVEL, AND (2) CHANGE THE SYSTEM APPLYING TO CANNED FRUIT AND JUICES STARTING JANUARY 1, 1979 SO THAT TAXES APPLIED ARE IN LINE WITH ACTUAL LEVELS OF ADDED SUGAR.

(E) THE PROPOSED NEW SYSTEM WOULD OPERATE AS FOLLOWS:  
CANNED FRUIT OR JUICE WITH NO ADDED SUGAR WOULD BE EXEMPT,  
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AS NOW, FROM THE TAX; THOSE PRODUCTS WITH LESS THAN 25 PERCENT TOTAL, REPEAT TOTAL, SUGAR (NET WEIGHT OF ENTIRE CONTENTS) WOULD ALSO BE EXEMPT FROM THE TAX; PRODUCTS WITH 25 PERCENT OR MORE BUT LESS THAN 40 PERCENT TOTAL SUGAR WOULD BE TAXED ON THE BASIS OF 30 PERCENT OF THE DIFFERENCE BETWEEN THE WORLD PRICE AND DOMESTIC PRICE OF SUGAR; PRODUCTS CONTAINING 40 PERCENT OR MORE TOTAL SUGAR WOULD BE TAXED ON THE BASIS OF 50 PERCENT OF THE SAME DIFFERENCE.

(F) FINNISH IMPORTERS HAVE TOLD THEIR AUTHORITIES THAT US CANNED FRUIT PRODUCTS IN HEAVY SYRUP CONTAIN 18-22 PERCENT SUGAR NET WEIGHT, AND IN LIGHT SYRUP 14-18 PERCENT. THUS, US PRODUCTS WOULD BE EXEMPT FROM THE EXCISE TAX STARTING IN JANUARY.

(G) THE REFUND OF THE EXCESSIVE PORTION OF THE CURRENT TAX WOULD PRESUMABLY BE BASED ON THE NEW SYSTEM DESCRIBED IN SUBPARA 2(E) ABOVE ALTHOUGH HAGELSTAM WAS NOT SURE IF THAT MEANT US PRODUCTS WITH LESS THAN 25 PERCENT SUGAR WOULD BE GIVEN A FULL REFUND. HE AGREED TO CHECK ON THAT POINT.

(H) PASSAGE BY PARLIAMENT OF THE PROPOSED MODIFICATION  
IS CONSIDERED A FORMALITY SINCE HE SAID THERE ARE NO  
POLITICAL PROBLEMS INVOLVED. PASSAGE WOULD PROBABLY TAKE  
PLACE IN OCTOBER BUT CERTAINLY NO LATER THAN NOVEMBER 15.

3. HAGELSTAM REITERATED SEVERAL TIMES POINT ABOUT US  
HAVING TAKEN SIMILAR ACTION ON CONFECTIONERY, STRESSING  
THAT FINLAND WAS LOOKING FOR A PRAGMATIC SOLUTION ACCEPT-  
ABLE TO US SO THAT MTN NEGOTIATIONS WOULD NOT BE JEOPAR-  
DIZED. AT THE SAME TIME, HOWEVER, HE EXPRESSED DOUBT THAT  
THE TAX SYSTEM ITSELF COULD BE ABOLISHED.

4. ACTION REQUESTED: IN VIEW OF SHORT TIME BEFORE BILL  
WILL BE PRESENTED TO PARLIAMENT MTN DEL WOULD APPRECIATE  
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ACTION STR-07

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R 121815Z SEP 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC 3984  
INFO AMEMBASSY HELSINKI  
AMEMBASSY STOCKHOLM

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USMTN

ACTION STR  
PASS AGRICULTURE

WASHINGTON REACTION ASAP.

5. COMMENT: MTN DEL BELIEVES THAT, REGARDLESS OF OUR RESPONSE, THE LINK BETWEEN THIS ISSUE AND THE MTN SHOULD BE CLEARLY UNDERSTOOD BY THE FINNS TO BE ONLY IN TERMS OF THE NEGATIVE IMPLICATIONS FOR MTN OFFERS (INVOLVING NOT ONLY THE PRODUCTS IN QUESTION, BUT, BY EXTENSION, PRODUCTS IN WHICH FINLAND HAS MADE REQUESTS). THE PROPOSED ACTION BY FINLAND SHOULD IN NO WAY BE CONSIDERED A POSITIVE MTN OFFER.

6. DRAFTED BY DRAZEK. MCDONALD

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SUGAR, FRUITS, EXCISE TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 sep 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Office:** ACTION STR  
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**Review Release Date:** N/A  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINNISH EXCISE TAX ON SUGAR IN CANNED FRUIT  
**TAGS:** ETRD, FI, MTN  
**To:** STATE  
**Type:** TE  
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